

ОАО Респдская

Unaudited Interim Condensed
Consolidated Financial Statements

Six-month period ended 30 June 2007

ОАО Распадская

Unaudited Interim Condensed Consolidated Financial Statements

Six-month period ended 30 June 2007

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Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders and Board of Directors
of OAO Rospadskaya

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of OAO Rospadskaya and its subsidiaries (the "Group") as at June 30, 2007 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

Emphasis of Matter

We draw attention to Note 1 to the interim condensed consolidated financial statements, which disclose a significant concentration of the Group's business with related parties.

Ernst & Young LLC

September 24, 2007

ОАО Распадская

Unaudited Interim Condensed Consolidated Income Statement

Six-month period ended 30 June 2007

(In thousands of US dollars, except for per share information)

	Notes	2007	2006
Revenue			
Sale of goods		\$ 335,761	\$ 216,394
Rendering of services		3,073	5,224
	4	<u>338,834</u>	<u>221,618</u>
Cost of sales		<u>(143,129)</u>	<u>(134,724)</u>
Gross profit		195,705	86,894
Selling and distribution costs		(32,554)	(5,915)
General and administrative expenses		(25,619)	(16,558)
Social and social infrastructure maintenance expenses		(3,215)	(2,853)
Loss on disposal of property, plant and equipment		(1,114)	(471)
Foreign exchange gains/(losses), net		5,505	(275)
Other operating income		446	1,159
Other operating expenses		(3,027)	(2,360)
Dividend income		4	–
Interest income		2,068	434
Interest expense		<u>(15,659)</u>	<u>(4,221)</u>
Profit before tax		122,540	55,834
Income tax expense	5	<u>(32,121)</u>	<u>(15,436)</u>
Profit for the period		\$ 90,419	\$ 40,398
Attributable to:			
Equity holders of the parent		\$ 89,734	\$ 40,275
Minority interests		685	123
		<u>\$ 90,419</u>	<u>\$ 40,398</u>
Earnings per share:			
basic and diluted, for profit attributable to equity holders of the parent entity, US dollars (3.00 roubles and 2.15 roubles for the six-month periods ended 30 June 2007 and 2006, respectively)	9	\$ 0.11	\$ 0.08

The accompanying notes on pages 6 to 14 are an integral part of these consolidated financial statements.

OA0 Raspadskaya

Unaudited Interim Condensed Consolidated Balance Sheet

(In thousands of US dollars)

	Notes	30 June 2007 <i>(Unaudited)</i>	31 December 2006 <i>(Audited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment	6	\$ 1,378,675	\$ 1,354,116
Deferred tax asset	5	2,097	3,675
Other non-current assets		5,838	5,229
		1,386,610	1,363,020
Current assets			
Inventories		30,694	26,662
Trade and other receivables		52,542	30,869
Receivables from related parties	8	5,119	3,320
Income tax receivable		5,119	219
Other taxes recoverable		32,766	27,765
Short-term bank deposits		2,324	1,140
Cash and cash equivalents	7	66,262	49,219
		194,826	139,194
TOTAL ASSETS		\$ 1,581,436	\$ 1,502,214
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	9	\$ 303	\$ 304
Treasury shares	9	–	(1,131)
Additional paid-in capital	9	783,862	783,862
Reserve capital	9	7	7
Accumulated profits		70,244	39,796
Unrealised gain on available-for-sale investments		1,835	1,580
Translation difference		46,672	29,523
		902,923	853,941
Minority interests		5,358	4,290
		908,281	858,231
Non-current liabilities			
Long-term loans	10	318,258	28,934
Long-term loan from related parties		6,933	5,887
Deferred tax liabilities	5	225,073	229,984
Post-employment benefit liabilities	11	17,258	16,012
Other long-term liabilities		1,563	1,490
		569,085	282,307
Current liabilities			
Trade and other payables		19,579	21,863
Short-term loans and current portion of long-term loans	10	30,119	323,351
Payables to related parties	8	457	1,141
Income tax payable		4,750	5,712
Other taxes payable		13,372	8,729
Finance lease		448	880
Dividends payable		35,345	–
		104,070	361,676
TOTAL EQUITY AND LIABILITIES		\$ 1,581,436	\$ 1,502,214

The accompanying notes on pages 6 to 14 are an integral part of these consolidated financial statements.

OAORaspadskaya
Unaudited Interim Condensed Consolidated Cash Flow Statement
Six-month period ended 30 June 2007
(In thousands of US dollars)

	Notes	2007	2006
Cash flows from operating activities			
Profit for the period		\$ 90,419	\$ 40,398
Adjustments to reconcile net profit to net cash flows from operating activities:			
Depreciation, depletion and amortisation	6	64,742	20,803
Deferred income tax benefit	5	(7,847)	(406)
Loss on disposal of property, plant and equipment		1,114	471
Foreign exchange (gains)/loss		(5,505)	275
Dividend income		(4)	–
Interest income		(2,068)	(434)
Interest expense		15,659	4,221
Employee benefits		159	525
Bad debt expense		351	(124)
		157,020	65,729
Changes in working capital:			
Inventories		(3,465)	(6,976)
Trade and other receivables		(21,646)	3,130
Receivables from / payables to related parties		(1,523)	3,295
Trade and other payables		(7,138)	7,826
Taxes payable		(5,886)	22,429
Net cash flows from operating activities		117,362	95,433
Cash flows from investing activities			
Purchases of property, plant and equipment		(59,308)	(39,777)
Cash acquired through acquisition of subsidiaries		–	31,947
Short-term deposits at banks, including interest, net		2,034	(214)
Other investing activities		487	84
Net cash flows used in investing activities		(56,787)	(7,960)
Cash flows from financing activities			
Purchases of treasury shares		–	(1,207)
Proceeds from sale of treasury shares		–	20,429
Proceeds from loans		305,706	286
Repayment of loans, including interest		(326,648)	(27,968)
Dividends paid		(23,091)	(46,275)
Payments under finance leases, including interest		(744)	(14)
Net cash flows used in financing activities		(44,777)	(54,749)
Effect of foreign exchange rate changes on cash and cash equivalents		1,245	1,841
Net increase in cash and cash equivalents		17,043	34,565
Cash and cash equivalents at beginning of period		49,219	26,946
Cash and cash equivalents at end of period		\$ 66,262	\$ 61,511
Supplementary cash flow information:			
Cash flows during the period:			
Interest paid		\$ 12,268	\$ 4,167
Interest received		1,941	449
Income taxes paid		46,160	18,417

The accompanying notes on pages 6 to 14 are an integral part of these consolidated financial statements.

OAo Raspadskaya

Unaudited Interim Condensed Consolidated Statement of Changes in Equity

Six-month period ended 30 June 2007

(In thousands of US dollars)

Attributable to equity holders of the parent										
	Issued capital	Treasury shares	Additional paid-in capital	Reserve capital	Accumulated profits	Unrealised gain on available-for-sale investments	Translation difference	Total	Minority interests	Total equity
At 31 December 2006	\$ 304	\$ (1,131)	\$ 783,862	\$ 7	\$ 39,796	\$ 1,580	\$ 29,523	\$ 853,941	\$ 4,290	\$ 858,231
Net gains on available-for-sale financial investments	–	–	–	–	–	255	–	255	–	255
Foreign currency translation	–	–	–	–	–	–	17,149	17,149	383	17,532
Total income and expense for the period recognised directly in equity	–	–	–	–	–	255	17,149	17,404	383	17,787
Profit for the period	–	–	–	–	89,734	–	–	89,734	685	90,419
Total income and expense for the period	–	–	–	–	89,734	255	17,149	107,138	1,068	108,206
Treasure shares cancelled (Note 9)	(1)	1,131	–	–	(1,130)	–	–	–	–	–
Dividends declared (Note 9)	–	–	–	–	(58,156)	–	–	(58,156)	–	(58,156)
At 30 June 2007	\$ 303	\$ –	\$ 783,862	\$ 7	\$ 70,244	\$ 1,835	\$ 46,672	\$ 902,923	\$ 5,358	\$ 908,281

The accompanying notes on pages 6 to 14 are an integral part of these consolidated financial statements.

OA0 Raspadskaya

Unaudited Interim Condensed Consolidated Statement of Changes in Equity (continued)

(In thousands of US dollars)

	Attributable to equity holders of the parent									
					Unrealised gain on available- for-sale investments					
	Issued capital	Treasury shares	Additional paid-in capital	Reserve capital	Accumulated profits/ (losses)	Translation difference	Total	Minority interests	Total equity	
At 31 December 2005	\$ 259	\$ (6,627)	\$ 1,402	\$ 7	\$ (13,518)	\$ 650	\$ 8,535	\$ (9,292)	\$ 3,684	\$ (5,608)
Net gains on available-for-sale financial investments	–	–	–	–	–	296	–	296	–	296
Foreign currency translation	–	–	–	–	–	–	(2,701)	(2,701)	234	(2,467)
Total income and expense for the period recognised directly in equity	–	–	–	–	–	296	(2,701)	(2,405)	234	(2,171)
Profit for the period	–	–	–	–	40,275	–	–	40,275	123	40,398
Total income and expense for the period	–	–	–	–	40,275	296	(2,701)	37,870	357	38,227
Issue of share capital, net of transaction costs (Note 9)	–	–	767,000	–	–	–	–	767,000	–	767,000
Purchase of treasury shares (Note 9)	–	(1,207)	–	–	–	–	–	(1,207)	–	(1,207)
Sale of treasury shares (Note 9)	–	6,678	13,751	–	–	–	–	20,429	–	20,429
Distribution to the parent entity by subsidiaries (Note 9)	–	–	–	–	(46,275)	–	–	(46,275)	–	(46,275)
At 30 June 2006	\$ 259	\$ (1,156)	\$ 782,153	\$ 7	\$ (19,518)	\$ 946	\$ 5,834	\$ 768,525	\$ 4,041	\$ 772,566

The accompanying notes on pages 6 to 14 are an integral part of these consolidated financial statements.

ОАО Респдская

Selected Notes to the Interim Condensed Consolidated Financial Statements

Six-month period ended 30 June 2007

(In thousands of US dollars, unless specified otherwise)

1. Corporate information

The interim condensed consolidated financial statements of ОАО Респдская (the “Company”) for the six-month period ended 30 June 2007 were authorised for issue in accordance with a resolution of the Board of Directors on 24 September 2007.

The Company is an open joint-stock company (“ОАО”) registered under the law of the Russian Federation. The Company commenced operations in 1973. The registered office of the Company is 106, Mira Street, Mezhdurechensk, the Kemerovo region, the Russian Federation. The Company’s controlling shareholder is Corber Enterprises Limited (Cyprus) (“Corber”), a 50/50 joint venture set up by Mastercroft Mining Limited, a subsidiary of Evraz Group S.A. (Luxembourg), and Adroliv Investments Limited (Cyprus) (“Adroliv”).

The Company and its subsidiaries (the “Group”) derive approximately 99% of their revenues from sales of coal and coal concentrate. Other revenue sources include transport-handling services and other non-production revenues.

In the six-month periods ended 30 June 2007 and 2006, approximately 13% and 31%, respectively, of the Group’s revenues were generated in transactions with related parties. In addition, a significant part of the Group’s purchases was made in transactions with related parties. For detailed information related to such activities refer to Note 8.

2. Basis of preparation and accounting policies

Basis of Preparation

The interim condensed consolidated financial statements for the six-month period ended 30 June 2007 have been prepared in accordance with International Financial Reporting Standard IAS 34 “Interim Financial Reporting”.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s 2006 annual consolidated financial statements.

Significant Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2006, except for the adoption of the following amendments mandatory for annual periods beginning on or after 1 January 2007:

- IFRS 7 “Financial Instruments: Disclosures”;
- IAS 1 “Presentation of Financial Statements- Capital Disclosures”;
- IFRIC 8 “Scope of IFRS 2”;
- IFRIC 9 “Reassessment of Embedded Derivatives”;
- IFRIC 10 “Interim Financial Reporting and Impairment”.

OAO Raspadskaya
Selected Notes to the Interim Condensed Consolidated
Financial Statements (continued)

(In thousands of US dollars, unless specified otherwise)

2. Basis of preparation and accounting policies (continued)

Significant Accounting Policies (continued)

The adoption of these amendments did not have any effect on financial position or performance of the Group.

3. Seasonality of Operations

There are no significant seasonal effects in the business activities of the Group. The Group's performance depends on commodity prices. Market price of cocking coal was higher in the first half of 2007, as compared to the first half of 2006.

4. Segment Information

The Group operates as a vertically integrated business and reports its activities as a single business segment. All of the Group's assets are located and capital expenditures incurred in the Russian Federation.

Distribution of the Group's revenues by geographical area based on the location of the customers was as follows in the six-month periods ended 30 June:

	<u>2007</u>	<u>2006</u>
Russia	\$ 223,785	\$ 195,361
Ukraine	52,902	21,753
Romania	35,361	2,421
Hungary	10,419	2,083
Japan	6,875	–
Bulgaria	5,382	–
Korea	2,532	–
Slovakia	1,578	–
	<u>\$ 338,834</u>	<u>\$ 221,618</u>

5. Income Taxes

The major components of income tax expense were as follows in the six-month periods ended 30 June:

	<u>2007</u>	<u>2006</u>
<i>Current income tax</i>		
Current income tax charge	\$ (39,968)	\$ (15,842)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	7,847	406
Income tax expense	<u>\$ (32,121)</u>	<u>\$ (15,436)</u>

OAO Raspadskaya
Selected Notes to the Interim Condensed Consolidated
Financial Statements (continued)

(In thousands of US dollars, unless specified otherwise)

6. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	30 June 2007	31 December 2006
Cost:		
Land	\$ 50	\$ 49
Mining assets	1,108,613	1,076,322
Buildings and constructions	78,495	73,636
Machinery and equipment	314,212	302,588
Transport and motor vehicles	28,420	25,424
Other assets	6,534	6,179
Assets under construction	139,785	98,913
	1,676,109	1,583,111
Accumulated depreciation, depletion and amortisation:		
Mining assets	(108,956)	(73,678)
Buildings and constructions	(6,688)	(5,291)
Machinery and equipment	(170,020)	(140,426)
Transport and motor vehicles	(7,530)	(5,875)
Other assets	(1,687)	(988)
	(294,881)	(226,258)
Government grants:		
Machinery and equipment, net	(2,553)	(2,737)
	\$ 1,378,675	\$ 1,354,116

Assets under construction include prepayments to constructors and suppliers of property, plant and equipment in the amount of \$28,049 and \$23,726 as of 30 June 2007 and 31 December 2006.

The movement in property, plant and equipment for the six-month period ended 30 June 2007 was as follows:

	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At 31 December 2006	\$ 49	\$ 68,345	\$159,425	\$ 19,549	\$ 1,002,644	\$ 5,191	\$ 98,913	\$ 1,354,116
Additions	—	—	—	—	10,748	114	53,059	63,921
Assets put into operation	—	3,676	7,990	2,714	—	304	(14,684)	—
Disposals	—	(50)	(1,074)	(429)	—	(9)	(40)	(1,602)
Reclassification	—	—	(422)	254	—	—	168	—
Depreciation & depletion charge	—	(1,549)	(27,482)	(1,598)	(33,496)	(853)	—	(64,978)
Amortisation of government grants	—	—	236	—	—	—	—	236
Translation difference	1	1,385	2,966	400	19,761	100	2,369	26,982
At 30 June 2007	\$ 50	\$ 71,807	\$141,639	\$ 20,890	\$ 999,657	\$4,847	\$ 139,785	\$ 1,378,675

OAo Raspadskaya
Selected Notes to the Interim Condensed Consolidated
Financial Statements (continued)

(In thousands of US dollars, unless specified otherwise)

6. Property, Plant and Equipment (continued)

As of 30 June 2007 and 31 December 2006, evaluation costs of assets for working under the licences are included in mining assets with carrying value of \$16,206 and \$11,633 and assets under construction with carrying value of \$1,794 and \$1,256, respectively.

As of 30 June 2007 and 31 December 2006 certain items of production equipment with an approximate carrying value of \$26,098 and \$36,940, respectively, were pledged to banks as collateral against loans to the Group (Note 10).

7. Cash and Cash Equivalents

Cash and cash equivalents were denominated in the following currencies:

	30 June 2007	31 December 2006
Russian roubles	\$ 62,576	\$ 44,398
US dollars	3,686	4,821
	\$ 66,262	\$ 49,219

The above cash and cash equivalents mainly consist of cash at banks.

8. Related Party Disclosures

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Amounts owed by/to related parties were as follows:

	Amounts due from related parties		Amounts due to related parties	
	30 June 2007	31 December 2006	30 June 2007	31 December 2006
OOO Trade House Evrazresource	\$ 4,398	\$ 3,137	\$ –	\$ –
OAo Yuzhny Kuzbass	378	160	32	–
Other entities	343	23	425	259
Loans receivable/payable from/to related parties	–	–	6,933	6,769
	\$ 5,119	\$ 3,320	\$ 7,390	\$ 7,028

OAo Raspadskaya
Selected Notes to the Interim Condensed Consolidated
Financial Statements (continued)

(In thousands of US dollars, unless specified otherwise)

8. Related Party Disclosures (continued)

Assets under construction include prepayments to related parties for property, plant and equipment in the amount of \$5,948 and \$5,134 as of 30 June 2007 and 31 December 2006, respectively.

Transactions with related parties in the six-month periods ended 30 June 2007 and 2006 were as follows:

	Sales to related parties		Purchases from related parties	
	2007	2006	2007	2006
OOO Trade House Evrazresource	\$ 42,692	\$ 46,336	\$ –	\$ –
OAo Yuzhny Kuzbass	2,318	1,220	–	–
ZAO Raspadskaya				
Financial Industrial Company	–	20,482	6	28,883
ZAO Razrez Raspadsky	–	792	–	37,749
OAo MUK-96	–	518	–	–
Other entities	81	26	544	597
	\$ 45,091	\$ 69,374	\$ 550	\$ 67,229

OOO Trade House Evrazresource is an entity under common control with a shareholder of the Company's parent. During the six-month periods ended 30 June 2007 and 2006, the Group sold to the entity approximately 14% and 24% of sales volumes of coal concentrate, respectively.

OAo Yuzhny Kuzbass ("Yuzhny Kuzbass"), a Russian coal mining company, is a minority shareholder of OAo TPTU, the subsidiary of the Group. Yuzhny Kuzbass exercises a significant influence over that subsidiary. OAo TPTU sells transportation services to Yuzhny Kuzbass.

Prior to the acquisition of MUK Group on 31 May 2006, Razrez Raspadsky was an entity under control of a shareholder of the Company's parent. The Group purchased mining and coal processing services from ZAO Razrez Raspadsky.

ZAO Raspadskaya Financial Industrial Company ("RFPK") is an entity under control of a shareholder of the Company's parent. RFPK sold coal concentrate to the Group and operated as the Group's sales agent. Commencing 1 June 2006, the Group ceased its trading activities with RFPK.

OAO Raspadskaya
Selected Notes to the Interim Condensed Consolidated
Financial Statements (continued)

(In thousands of US dollars, unless specified otherwise)

8. Related Party Disclosures (continued)

Compensation to Key Management Personnel

Key management personnel totalled 9 persons as at 30 June 2007 and 2006, respectively. Total compensation to key management personnel in the six-month periods ended 30 June 2007 and 2006 was included in general and administrative expenses in the accompanying income statement and consisted of the following:

	<u>2007</u>	<u>2006</u>
Short-term benefits:		
Salary	\$ 968	\$ 867
Bonus	53	142
Social security taxes	103	73
	<u>\$ 1,124</u>	<u>\$ 1,082</u>

9. Equity

Share capital of the Company in the six-month period ended June 30, 2007 and 2006 comprised the following:

	Number of outstanding ordinary shares	Number of treasury shares	Issued capital	Treasury shares
At 31 December 2005	454,718,980	25,280,557	\$ 259	\$ 6,627
Issue of shares	300,650,000	–	–	–
Purchase of treasury shares	(1,278,442)	1,278,442	–	1,207
Sale of treasury shares	25,370,558	(25,370,558)	–	(6,678)
At 30 June 2006	779,461,096	1,188,441	\$ 259	\$ 1,156
At 31 December 2006	780,799,809	1,188,441	\$ 304	\$ 1,131
Treasure shares cancelled	–	(1,188,441)	(1)	(1,131)
At 30 June 2007	780,799,809	–	\$ 303	\$ –

On 15 June 2007, general shareholders' meeting approved cancellation of 1,188,441 treasure shares. As of 30 June 2007 and 31 December 2006, the Company's authorised and issued share capital consisted of 780,799,809 and 781,988,250 ordinary shares with par value 0.004 roubles each, respectively. All authorised shares have been issued and fully paid.

OAO Raspadskaya
Selected Notes to the Interim Condensed Consolidated
Financial Statements (continued)

(In thousands of US dollars, unless specified otherwise)

9. Equity (continued)

In the six-month period ended 30 June 2006, the Group repurchased 1,278,442 ordinary shares for \$1,207. The Group resold 25,370,558 repurchased shares to the Company's parent for \$20,429. The difference between cost of these shares and sale price amounting to \$13,751 was recorded as additional paid-in capital.

On 31 May 2006, the Company's parent acquired all of the shares in OAO Mezhdurechensk Coal Company – 96 (“MUK-96”) and ZAO Razrez Rospadsky (collectively, “MUK Group”) for consideration paid \$767,000. On 14 September 2006, the Company issued 301,988,713 ordinary shares with par value 0.004 roubles each, of which 300,650,000 shares were issued to the Company's parent in exchange for the shares in MUK Group and 1,338,713 shares were subscribed by the non-controlling shareholders for a cash consideration of \$1,316. Exchange of the Company's ordinary shares for shares in MUK-96 is a transfer of controlling interest in a subsidiary in a transaction with an entity under common control. This transfer was part of the reorganization plan. As such, the Company applied the pooling of interests method with respect to this transfer and presented its consolidated financial statements as if the transfer of the controlling interest in MUK Group had occurred on the date of acquisition of the subsidiary by the Company's parent.

Reserve Capital

According to the Russian Law, the Group creates a reserve capital in the amount of 5% of share capital per the Russian statutory accounts by annual appropriations which should be at least 5% of the annual net profit per statutory financial statements. The reserve capital can be used only for covering losses as well as for redemption of the Company's bonds and purchase of own shares if there are no other sources of financing.

Dividends Declared

On 15 June 2007, shareholders of the Company approved distribution of dividends in respect of 2006 financial results in the amount of 1,514,751,629 roubles (\$58,156 at the exchange rate as of the date of transaction), which represents 1.94 roubles of dividends per share.

In the six-month periods ended 30 June 2006, certain subsidiaries of the Group, accounted for under the pooling of interests method, declared dividends in the amount of \$46,275 payable to the Company's parent.

OAO Raspadskaya
Selected Notes to the Interim Condensed Consolidated
Financial Statements (continued)

(In thousands of US dollars, unless specified otherwise)

10. Loans and Borrowings

Short-term and long-term loans and borrowings were as follows as of:

	30 June 2007	31 December 2006
7.50 per cent notes due 2012	\$ 300,000	\$ –
Natixis Banques Populaires	–	300,000
Russian banks	45,307	49,167
Ministry of Finance of the Russian Federation	855	1,283
BSGV	2,037	1,561
Interest payable	2,575	1,404
Unamortised notes issue and loan raising costs	(2,397)	(1,130)
	\$ 348,377	\$ 352,285

On 17 May 2007 the Group issued loan participation notes amounting to \$300,000. The notes bear interest of 7.5% per annum payable semi-annually and mature on 22 May 2012. The terms and conditions of the notes provide for certain covenants in respect of the Company and its subsidiaries. The covenants impose restrictions in respect of certain transactions and financial ratios, including restrictions in respect of indebtedness and profitability.

As of 30 June 2007 and 31 December 2006, total interest bearing loans and borrowings consisted of short-term loans and borrowings in the amount of \$6,828 and \$300,905, respectively, and long-term loans and borrowings in the amount of \$338,974 and \$51,106, respectively, including the current portion of long-term liabilities of \$20,716 and \$22,172, respectively.

In the six-month period ended 30 June 2007, average annual interest rates were 9.0% for short-term loans denominated in roubles, and 9.6%, 9.8% and 6.5% for long-term loans denominated in roubles, US dollars and Euro, respectively.

The Loans and borrowings are denominated in the following currencies:

	30 June 2007	31 December 2006
Roubles	\$ 41,126	\$ 49,240
US dollars	307,611	302,614
Euro	2,037	1,561
Unamortised notes issue and loan raising costs	(2,397)	(1,130)
	\$ 348,377	\$ 352,285

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(In thousands of US dollars, unless specified otherwise)

10. Loans and Borrowings (continued)

The Loans and borrowings are contractually repayable after the balance sheet date as follows:

	30 June 2007	31 December 2006
Less than one year	\$ 30,119	\$ 324,481
Between one year and two years	18,536	28,934
Between two years and five years	302,119	–
Unamortised notes issue and loan raising costs	(2,397)	(1,130)
	\$ 348,377	\$ 352,285

11. Commitments and Contingencies

Contractual Commitments

The Group was a party to executory contracts for the purchase of production equipment and construction works for an approximate amount of \$30,222 as of 30 June 2007.

Social Commitments

The Group is involved in a number of social programmes aimed to support education, health care and social infrastructure development in towns where the Group's assets are located. In 2007, the Group committed to spend \$8,815 under these programmes. As of 30 June 2007, the Group has spent \$3,726.

Environmental Protection

The Group may be subject to environmental claims and legal proceedings. The quantification of environmental exposures requires an assessment of many factors, including changing laws and regulations, improvements in environmental technologies, the quality of information available related to specific sites, the assessment stage of each site investigation, preliminary findings and the length of time involved in remediation or settlement. Management believes that any pending environmental claims or proceedings will not have a material adverse effect on its financial position and results of operations. During the next five years, the Group expects to spend \$8,736 under the Plan on Environmental Protection for the years 2007-2011 authorized by management. As of 30 June 2007, the Group has spent \$460.

Insurance Policies

The Group maintains obligatory insurance policies required by the Russian Law and insurance policies in respect of certain assets pledged under loan agreements. The Group holds no insurance policies in relation to its major production facilities, or in respect of public liability.